

U.S.-KOREA TRADE AGREEMENT

New England Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of New England agricultural products, including dairy, beef, fruits, and vegetables. Agricultural exports from Connecticut, Massachusetts, Maine, Vermont, New Hampshire, and Rhode Island, estimated at \$768 million in 2009, supported roughly over 6,100 jobs, on and off the farm. These export sales make an important contribution to the New England farm economy, which had total cash receipts of \$2.4 billion in 2009.

Dairy Products. With farm cash receipts across all six states reaching \$554 million in 2009. Among the KORUS agreement's benefits to New England's dairy industry:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cattle and Beef. The cattle and calf industry of all six New England states generated cash receipts of \$75 million in 2009, with over half sold from Vermont. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS Agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Vegetables and Vegetable Products. With cash receipts of \$149 million in 2009, New England's potato farmers, located mostly in Maine, will benefit from this agreement. New England's sweet corn producers will also benefit from the KORUS agreement as their farm cash receipts totaled \$33 million in 2009, with over 70 percent accounted for by sales from Connecticut and Massachusetts. Under the KORUS Agreement:

- Tariffs on frozen potato fries and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-metric ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- The sweet corn grown in much of the region will see its tariffs phased out in 5 years.

Fruits and Fruit Products. New England fruit growers will benefit from the KORUS agreement.

- The 45-percent tariffs on blueberries and peaches will be phased out over 10 years.
- Tariffs of 45 percent on apples (other than Fuji) and pears (other than Asian varieties) will be eliminated in 10 years.

Maple Products. New England producers of maple syrup and maple sugar products earned \$53 million in cash receipts in 2009.

- Under the KORUS agreement the 8-percent tariff on maple syrup and maple sugar will be phased out over 5 years.

Distilled Spirits. Among the KORUS agreement's benefits to New England distilled spirits producers, such as those in Maine producing vodka:

- Korea's 20-percent tariff on vodka will be phased out over 5 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	New England to World
Dairy Products	\$2,335,000,000	\$21,000,000
Cattle and Beef	\$6,703,000,000	\$5,000,000
Vegetables and Vegetable Products	\$5,279,000,000	\$51,000,000
Fruits and Fruit Products	\$5,714,000,000	\$61,000,000
Maple Products	\$18,107,000,000	\$13,000,000
Distilled Spirits	\$1,087,000,000	\$7,000,000
Agricultural Total	\$96,632,000,000	\$768,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.